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STERNE, KESSLER, GOLDSTEIN & FOX, P.L.L.C.			EXAMINER	
1100 NEW YORK AVENUE, N.W.			FERTIG, BRIAN E	
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**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

<b>Office Action Summary</b>	<b>Application No.</b> 10/749,696	<b>Applicant(s)</b> CREVELING ET AL.
	<b>Examiner</b> BRIAN FERTIG	<b>Art Unit</b> 3694

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --  
Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If no period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

#### Status

1) Responsive to communication(s) filed on **24 March 2008**.  
 2a) This action is **FINAL**.      2b) This action is non-final.  
 3) Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

#### Disposition of Claims

4) Claim(s) **1-20** is/are pending in the application.  
 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.  
 5) Claim(s) \_\_\_\_\_ is/are allowed.  
 6) Claim(s) **1-20** is/are rejected.  
 7) Claim(s) \_\_\_\_\_ is/are objected to.  
 8) Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

#### Application Papers

9) The specification is objected to by the Examiner.  
 10) The drawing(s) filed on \_\_\_\_\_ is/are: a) accepted or b) objected to by the Examiner.  
 Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
 Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).  
 11) The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

#### Priority under 35 U.S.C. § 119

12) Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).  
 a) All    b) Some \* c) None of:  
 1. Certified copies of the priority documents have been received.  
 2. Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.  
 3. Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

#### Attachment(s)

1) Notice of References Cited (PTO-892)  
 2) Notice of Draftsperson's Patent Drawing Review (PTO-948)  
 3) Information Disclosure Statement(s) (PTO/SB/08)  
 Paper No(s)/Mail Date \_\_\_\_\_

4) Interview Summary (PTO-413)  
 Paper No(s)/Mail Date \_\_\_\_\_  
 5) Notice of Informal Patent Application  
 6) Other: \_\_\_\_\_

## DETAILED ACTION

### ***Claim Rejections - 35 USC § 112***

1. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

2. Claims 15-16 and 18-19 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

#### With respect to claims 15-16 and 18-20

These claims recite a "dispute-to-record of charge (ROC) ratio." This recitation in combination with the specification expresses the number derived from dividing the number of disputes by the number of ROC. What is indefinite is the number that applicant intends to represent ROC. The claim is silent and the Specification can be read to say that ROCs include: all the merchant's credit transactions (see par 9), all the merchant's credit transactions for which merchant collect a paper record (see par 2 and 10), all of merchant's credit transactions that produce an electronic record (see par 2 and 10), all of the merchant's ROCs in disputed transactions (see par 5, 15). This ambiguity is such that no reasonable assumption can be made by Examiner. These claims are not further treated on the merits below. Such lack of treatment should not be interpreted as indicating allowability.

### ***Claim Rejections - 35 USC § 101***

3. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

4. Claims 1-19 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

With respect to claims 1-19

These claim recites a process directed to purely mental steps. The Office has taken the position before the Court of Appeals for the Federal Circuit in *In re Bilski*, Appeal No. 2007-1130, that a statutory process must (1) be tied to another statutory class (such as a particular apparatus) or (2) transform underlying subject matter (such as an article or materials) to a different state or thing. The Office basis its position on Supreme Court precedent as recited in *Diamond v. Diehr*, 450 U.S. 175, 184 (1981); *Parker V. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70-71 (1972); *Cochrane v. Deener*, 94 U.S. 780, 787-788 (1876). To qualify as a statutory process, the claim should positively recite the other statutory class (the thing or product) to which it is tied, for example, by identifying the apparatus that accomplishes the method steps, or positively recite the subject matter that is being transformed, for example, by identifying the material that is being changed to a different state.

Applicant is also directed to MPEP § 2173.05p, providing guidance with respect to reciting a product and process in the same claim and MPEP § 2111.02 [R3] providing guidance with respect to the effect of limitations within the preamble of a claim.

With respect to claims 1-20

These claims contain calculating steps, thus encompassing a mathematical formula, which has been defined by the courts as an abstract idea. Abstract ideas are judicially

defined exceptions to statutory subject matter. When a process contains a judicially defined exception, that process is only statutory if it physically transforms matter or produces a useful, tangible, and concrete result. Applicant's processes operate on data and therefore do not transform matter. Further, they fail to produce a concrete result in so far as the establishing steps can be read to involve subjective human judgment (i.e. no objective standard for establishing the threshold is claimed). Subjective human judgment can vary from person to person, thus causing the results of the process to vary from operator to operator. As such, the results from the process fails to be concrete (see MPEP § 2106 for further discussion).

*To the extent supported by Applicant's original disclosure*, Examiner suggests eliminating the establishing steps in favor of assessing a fee based on a comparison to a predetermined threshold. Examiner also suggests explicit recitation of the dispute-to-record of charge (ROC) ratio calculation steps to avoid a reading of the calculation of such a ratio reading on a subjective human judgment determining what calculation process and inputs to use in computing the ratio.

#### ***Claim Rejections - 35 USC § 103***

5. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

6. This application currently names joint inventors. In considering patentability of the claims under 35 U.S.C. 103(a), the examiner presumes that the subject matter of the various claims was commonly owned at the time any inventions covered therein were made absent any evidence to the contrary. Applicant is advised of the obligation under 37 CFR 1.56 to point out the inventor and invention dates of each claim that was not commonly owned at the time a later invention was made in order for the examiner to consider the applicability of 35 U.S.C. 103(c) and potential 35 U.S.C. 102(e), (f) or (g) prior art under 35 U.S.C. 103(a).

7. Claims 1, 2, 7, 8, and 13 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent 6,154,729 to Cannon (Cannon) in view of US Patent Application Publication 2002/0099649 for Lee (Lee).

With respect to claim 1

Cannon teaches:

A method for processing credit transactions, comprising:

establishing a threshold ratio of disputed credit transactions to total credit transactions for a period of time (i.e. ratio specified by user, see col 3, lines 45-55);

calculating a number of disputed credit transactions and a number of credit transactions involving a merchant in the period of time (see col 8, lines 39-45);

calculating a ratio of the number of disputed credit transactions to the number of credit transactions for the merchant (see col 8, lines 39-45);

Cannon does not explicitly teach:

assessing a chargeback fee against the merchant only for each disputed transaction involving the merchant that exceeds the threshold ratio, when the merchant's ratio is at least equal to the threshold ratio.

Lee teaches:

assessing a chargeback fee against the merchant only for each disputed transaction involving the merchant that exceeds the threshold ratio, when the merchant's ratio is at least equal to the threshold ratio (see par 19, note that banks levy fines on merchants having too many chargebacks).

It would have been obvious to one having ordinary skill in the art at the time of Applicant's invention to have provided Cannon with the fines of Lee in order to have provided merchant's with an incentive to take action to reduce chargebacks as taught implicitly by Lee since fines escalate if chargebacks continue unabated.

With respect to claim 2

Cannon in view of Lee teaches:

The method of claim 1 (see rejection of claim 1 above), the period of time comprising thirty days (see Cannon col 3, lines 45-55, note the monthly reports). (see rationale supporting obviousness and motivation to combine of claim 1 above)

With respect to claim 7

Cannon in view of Lee teaches:

The method of claim 1 (see rejection of claim 1 above), further comprising:

establishing a threshold number of time periods in which the ratio of disputed credit transactions to may exceed the threshold ratio (i.e. ratio specified by user, see Cannon col 3, lines 45-55);

calculating a number of time periods in which the ratio of the number of disputed credit transactions to the number of credit transactions for the merchant is at least equal to the threshold value (see Lee, par 19, note the teaching the escalation of fines as chagebacks continue. This fairly suggests calculating number of time periods in so far as the time periods are a measure of whether the chargebacks are continuing); and

said assessing further comprising:

assessing the chargeback fee against the merchant only for each disputed transaction that exceeds the threshold ratio, when the ratio is at least equal to the threshold ratio for the period of time and the number of time periods for the merchant is at least equal to the threshold number of time periods (see Lee par 19, note that fines escalate higher as chargeback continue unabated. This fairly suggests fines based both on time periods and exceeding a threshold in so far as it recites 'continue', suggesting the time component, and 'unabated', suggesting the threshold component).

(see rationale supporting obviousness and motivation to combine of claim 1 above)

With respect to claim 8

Cannon in view of Lee teaches:

The method of claim 7 (see rejection of claim 7 above), wherein the threshold number of time periods is greater than one (see Lee, par 19, note that fines escalate if chargebacks continue. 'Continue' fairly suggests time periods greater than one since the degree to which the condition continues must be measured between at least two time periods).

(see rationale supporting obviousness and motivation to combine of claim 1 above)

With respect to claim 13

Cannon in view of Lee teaches:

The method of claim 7 (see rejection of claim 7 above), the threshold number of time periods comprising a threshold number of consecutive time periods (see Lee, par 19, note that fines escalate if chargebacks continue. 'Continue' in combination with 'unabated' fairly suggests consecutive time periods since discontinuous time periods would no longer be continuous and would also not capture whether the condition had abated).

(see rationale supporting obviousness and motivation to combine of claim 1 above)

8. Claims 3-5, 9-12, 14 and 17 are rejected under 35 U.S.C. 103(a) as being unpatentable over Cannon in view of Lee and in further view of US Patent Application Publication 2004/0030644 for Shaper (Shaper).

With respect to claim 3

Cannon in view of Lee teaches:

The method of claim 1 (see rejection of claim 1 above), but does not explicitly teach the threshold ratio comprising three percent.

Sharper teaches:

the threshold ratio comprising three percent (see par 10, note that a significant threshold for chargeback within the industry is 1-3%).

It would have been obvious to one having ordinary skill in the art at the time of Applicant's invention to have provided Cannon in view of Lee with the 3% threshold of Sharper in order to have limited the percentage of chargeback allowed to merchants as taught explicitly by Sharper (see par 10)

With respect to claim 4

Cannon in view of Lee teaches:

The method of claim 1 (see rejection of claim 1 above), but does note explicitly teach further comprising: establishing the threshold ratio based on an industry category including the merchant () .

Sharper teaches:

establishing the threshold ratio based on an industry category including the merchant (see par 11, note that certain industries raise chargeback well above preferred limits. It is therefore obvious to establish the threshold ratio based on industry category since the degree of chargebacks varies between industries)

It would have been obvious to one having ordinary skill in the art at the time of Applicant's invention to have provided Cannon in view of Lee with the industry differentiation of Shaper in order to match the risk of an industry with an appropriate

level of fine as taught implicitly by Shaper since Shaper teaches that the level of chargebacks varies between industries.

With respect to claim 5

Cannon in view of Lee and Shaper teaches:

The method of claim 4 (see rejection of claim 4 above), the industry category comprising a standard industrial classification code (see Lee par 101, note that the industry of the transaction is identified by SIC code, as such, it would have been obvious to have used the SIC to identify the merchant).

(see rationale supporting obviousness and motivation to combine of claim 4 above)

With respect to claim 9

Cannon in view of Lee teaches:

The method of claim 8 (see rejection of claim 8 above), but does not explicitly teach further comprising:

generating a notice for transmission to the merchant when the number of time periods for the merchant is greater than zero and less than the threshold number of time periods, the notice including: the ratio of the number of disputed credit transactions to the number of credit transactions for the merchant, the threshold ratio, the number of time periods for the merchant and the threshold number of time periods.

Shaper teaches:

further comprising:

generating a notice for transmission to the merchant when the number of time periods for the merchant is greater than zero and less than the threshold number of time periods, the notice including: the ratio of the number of disputed credit transactions to the number of credit transactions for the merchant, the threshold ratio, the number of time periods for the merchant and the threshold number of time periods (see par 32, note that the merchant is sent a notice or pre-notice related to chargebacks. Note that the indicia included on the notice have been considered, but are non-functional descriptive material and are given no distinguishing weight. Further, the inclusion of such indicia would have been obvious in view of the teachings above so as to inform the merchant of the state of the chargeback and any associated fees).

It would have been obvious to one having ordinary skill in the art to have provided Cannon in view of Lee with the notice feature of Sharper in order to have solicited fee payment from the merchant as taught explicitly by Sharper (see par 33, note that the merchant pays the fee as a result of receiving the notice).

With respect to claim 10

Carter in view of Lee and Sharper teaches:

The method of claim 9 (see rejection of claim 9 above), further comprising:  
transmitting the notice to the merchant (see Sharper par 32).

(see rationale supporting obviousness and motivation to combine of claim 9 above)

With respect to claim 11

Carter in view of Lee and Sharper teaches:

The method of claim 8 (see rejection of claim 8 above), further comprising:

generating a notice for transmission to the merchant when the number of time periods for the merchant is greater than zero and less than the threshold number of time periods, the notice including at least proposed business solution for reducing the number of disputed credit transactions involving the merchant (see Sharper par 33, note that a 'pre-notice' is taught, fairly suggesting sending a notice to merchant in anticipation of incurring chargebacks. Note that the indicia included on the notice have been considered, but are non-functional descriptive material and are given no distinguishing weight.).

(see rationale supporting obviousness and motivation to combine of claim 9 above)

With respect to claim 12

Carter in view of Lee and Sharper teaches:

The method of claim 7 (see rejection of claim 7 above), wherein the threshold number of time periods is based on an industry category including the merchant (see Sharper par 11, note that certain industries raise chargeback well above preferred limits in combination with Lee, par 19, note the teaching the escalation of fines as chargebacks continue. This fairly suggests calculating number of time periods in so far as the time periods are a measure of whether the chargebacks are continuing. The combined teaching, therefore renders obvious basing the number of time periods on the industry, since the chargeback frequency varies between industries)

(see rationale supporting obviousness and motivation to combine of claim 4 above)

With respect to claim 14

Carter in view of Lee and Sharper teaches:

A method for processing credit transactions, comprising:

calculating a ratio of disputed credit transactions to total credit transactions for each of a plurality of industry categories for a previous period of time (see Cannon, col 8, lines 39-45);

determining a first threshold ratio for a first of the industry categories based on said calculating (see Sharper par 11, note that certain industries raise chargeback well above preferred limits. It is therefore obvious to establish the threshold ratio for each industry category since the degree of chargebacks varies between industries);

determining a second threshold ratio, lower than the first threshold ratio, for a second of the industry categories based on said calculating, the second of the industry categories having a lower ratio of disputed credit transaction to total credit transactions in the previous period of time than the first of the industry categories (see Sharper par 11, note that certain industries raise chargeback well above preferred limits. It is therefore obvious to establish a lower threshold ratio for each industry category with a lower ratio of disputed credit transactions since the degree of chargebacks is lower).

(see rationale supporting obviousness and motivation to combine of claims 1 and 4 above)

With respect to claim 17

Carter in view of Lee and Sharper teaches:

The method of claim 14 (see rejection of claim 14 above), further comprising: determining a first threshold number of time periods in which the ratio of disputed credit transactions for a merchant in the first of the industry categories exceeds the first threshold ratio, based on said calculating; and determining a second threshold number of time periods, lower than the first threshold number of time periods, in which the ratio of disputed credit transactions for a merchant in the second of the industry categories may exceed the second threshold ratio, based on said calculating.

9. Claim 6 is rejected under 35 U.S.C. 103(a) as being unpatentable over Cannon in view of Lee and in further view of Official Notice.

With respect to claim 6

Cannon in view of Lee teaches:

The method of claim 1 (see rejection of claim 1 above), but does not explicitly teach further comprising: establishing the threshold ratio based on an average transaction volume of the merchant.

Examiner takes Official Notice that an average is a well known mathematical operation for summarizing a series of data into a single, representative, number. It would have

been obvious to have provided Cannon in view of Lee with an averaging operation in support of establishing a threshold ratio since Lee suggests that chargebacks become a problem when they continue unabated. As such, this implies that a series of data is used to determine whether the problem has abated. Taking an average of this series of data is an obvious operation for summarizing this series of data into a single statistic useful for making decisions such as setting the threshold ration.

***Inquiry***

10. Any inquiry concerning this communication or earlier communications from the examiner should be directed to BRIAN FERTIG whose telephone number is (571)270-5131. The examiner can normally be reached on Monday - Friday 8:30am to 5:00pm EST.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James Trammell can be reached on (571) 272-6712. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

11. Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic

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Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/B.F./

/Mary Cheung/

Primary Examiner, Art Unit 3694